

For Immediate Release: Sept. 7, 2011

Contact: Stephen Blakely, EBRI (media relations), 202/775-6341, blakely@ebri.org

New Research from EBRI:

Is There a Future for Retirement?

WASHINGTON—With more older Americans remaining in the work force, retirement ages increasing for full benefits, and cutbacks looming in federal social insurance programs, the question is being asked: Is there a future for retirement in the United States?

The nonpartisan Employee Benefit Research Institute (EBRI) held a policy forum on that topic this spring, which was explored by a broad range of experts who discussed a variety of key issues related to America’s aging work force and the implications of working longer. These include such issues as whether financially feasible retirement ages can be kept within acceptable ranges, and the implications of Baby Boomers and Gen Xers working past age 65.

This was EBRI’s 68th policy forum held in Washington, DC, and was attended by about 120 policy and professional experts. Presentations are summarized in the September *EBRI Notes*, online at www.ebri.org

Among the key points:

- **How long will Boomers and Gen Xers need to work?** Jack VanDerhei, EBRI research director, presented new findings about the impact of deferring retirement age past 65 on retirement income adequacy. The results, published in the June 2011 *EBRI Issue Brief*, show that if Baby Boomers and Gen Xers delay their retirement past the age of 65, many of them still would not have adequate income to cover their basic retirement expenses and uninsured health care costs—especially low-income workers. Even if workers delay their retirement age into their 70s, there is still a chance the household will be “at risk” of running short of money in retirement.
- **Retirement plan design:** Lori Lucas, executive vice president at Callan Associates, noted that many recently automatically enrolled 401(k) participants appear to be staying at the typical 3 percent default contribution rate, even though employers typically recommend they contribute at least 10 percent in order to achieve retirement income adequacy. She said the major threat to retirement income adequacy from “leakage” of retirement assets is from cash-outs, where workers leaving a job take out all their retirement savings in cash rather than rolling over the assets into another tax-favored account.

Other speakers suggested that retirement plan sponsors should provide workers with more help in investing, since many workers will not be able to save more money or retire later, and that workers could improve their financial security by better asset management—in particular by cutting debt and using guaranteed income products such as life annuities to manage longevity risk.

- **Implications of Boomers and Gen Xers Working Past Age 65.** A variety of speakers touched on how a substantial number of Americans will not be able to work longer than traditional retirement age even if they want to, because of layoffs, mergers, or poor health. This makes disability benefits increasingly important for older workers, who are more likely to find themselves disabled. Employers, who will find themselves having to deal with generational differences in their work force, should now be addressing ways to manage aging work-force issues, through the use of work-force planning, customized job design that accommodates older workers and provides more flexibility, and preparing for more litigation and age-discrimination lawsuits.

The Employee Benefit Research Institute (EBRI) is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions.

###